



July 26, 2007

The Honorable John D. Dingell
Chairman
House Committee on Energy and Commerce
U.S. House of Representatives
Washington, D.C. 20015

Dear Chairman Dingell:

AARP strongly supports the Children's Health and Medicare Protection (CHAMP) Act (H.R. 3162). This well-balanced, fiscally responsible legislation addresses several priority issues for AARP's nearly 39 million members and their families. The legislation provides needed assistance to low-income Medicare beneficiaries; helps to ensure that beneficiaries maintain access to physicians; protects beneficiaries from significant additional increases in the Part B premium; covers millions of children in working families that cannot afford health insurance on their own; and includes additional changes that will improve the quality and efficiency of our nation's health care system

Helping Low-income Medicare Beneficiaries

The CHAMP Act will help more low-income Medicare beneficiaries with Part D drug costs and cost sharing in traditional Medicare by raising asset limits and streamlining requirements for the Part D Low Income Subsidy (LIS), and improving the Medicare Savings Programs (MSP) that assist lower income Medicare beneficiaries with premiums and cost-sharing in traditional Medicare.

Raising Part D asset limits to \$17,000 for individuals and \$34,000 for couples closes the coverage gap ("doughnut hole") and helps pay premiums and copays for more low-income beneficiaries who did the right thing by saving a small nest egg for retirement. We should encourage people to save for retirement, not penalize those low-income savers with an asset test. Further raising the limits in subsequent years will ensure that more lower income beneficiaries have access to this needed subsidy.

Streamlining the LIS application by removing difficult and invasive questions – such as the cash value of life insurance and in-kind support -- and aligning MSP rules with the LIS criteria, further reduces unnecessary barriers to valuable assistance for those who need it most.

Helping to Maintain Physician Access and Keep Medicare Affordable for All Beneficiaries

The CHAMP Act helps ensure that beneficiaries maintain access to physicians. It also protects all Medicare beneficiaries from additional premium hikes associated with physician payment changes by reducing other Part B spending, including excess payments to private Medicare Advantage plans. Part B premiums have more than doubled since 2000, and this legislation strikes a balance between maintaining affordability for beneficiaries and ensuring that they are able to obtain physician services.

Ensuring Medicare Trust Fund Dollars are Spent Wisely

The CHAMP Act seeks to restore the balance between the traditional Medicare and Medicare Advantage program. AARP supports a genuine choice of Medicare coverage options for beneficiaries. But the Medicare Payment Advisory Commission has reported that Medicare Advantage plans are paid, on average, 12 percent more than traditional Medicare. This payment disparity is unfair to all taxpayers, as well as the vast majority of beneficiaries in traditional Medicare who pay higher premiums, who subsidize these excess payments. According to actuaries at the Center for Medicare and Medicaid Services, these excess payments shorten the life of the Medicare Part A Trust Fund by two years.

AARP supports a level playing field between traditional Medicare and Medicare Advantage plans. Excess payments to MA plans should be phased out while protecting beneficiaries from disruptions during the transition period. Well-run managed care plans can continue to use provider networks, care coordination, and evidence-based practices, to control costs while improving quality. The CHAMP Act helps to improve quality in Medicare Advantage by providing new beneficiary protections and requiring all types of plans – including private fee for service plans – to be subject to the same rules.

Strengthening Medicare for the Future

The CHAMP Act helps to strengthen Medicare for both current and future beneficiaries by:

- Expanding Medicare coverage and eliminating cost sharing for evidence-based prevention services to promote more cost-effective efforts to keep people healthy rather than high-cost treatments once people suffer from preventable conditions.
- Bringing parity to Medicare cost sharing requirements for mental health outpatient services.
- Expanding demonstration projects to provide Medicare beneficiaries with a “medical home” in physician offices that can help coordinate their care to improve quality and efficiency while encouraging participation by reducing cost sharing responsibilities.

Providing Health Coverage to More Low-income Children

The CHAMP Act strengthens the State Children’s Health Insurance Program (SCHIP). SCHIP is vitally important to many grandparents raising grandchildren. SCHIP also is a wise use of tax dollars, given the substantial long-term benefits that relatively low-cost children’s coverage can provide. After all, productive working years and healthy aging both require an early start.

The legislation would allow states to cover more than 5 million uninsured low-income children who are currently eligible but not enrolled in the program, as well as make changes to help improve the quality of children’s health care. Those benefiting most are children in families with working parents who do not earn enough to afford health care coverage without assistance, and who represent more than half of the estimated 9 million uninsured children in the country.

Increasing the federal tobacco tax to help offset SCHIP reauthorization is both fiscally responsible and smart health policy because it helps to reduce smoking rates, which yields health benefits of its own.

The Honorable John D. Dingell
July 26, 2007
Page 4

Improving Quality and Efficiency

Finally, the CHAMP Act includes several additional provisions that will help to increase the quality and efficiency of our entire health care system. These include provisions to:

- Fund a broadly representative non-profit organization, such as the National Quality Forum, to develop and promote use of consensus-based quality measures and advance the use of electronic health records.
- Establish a Comparative Effectiveness commission to promote objective research comparing various drugs and other treatments for specific conditions to determine which are the most effective. This will help improve quality of care while reducing inappropriate, inefficient, and ineffective care.
- Promote better understanding of racial and ethnic disparities in health care so the issues can be addressed.

In short, this package of health care changes will help both children and older Americans, as well as make positive improvements to our health care system. We appreciate your leadership and look forward to working with you to enact the bill into law this year.

Sincerely,

A handwritten signature in black ink, reading "William D. Novelli". The signature is fluid and cursive, with the first name "William" and last name "Novelli" clearly distinguishable.

William D. Novelli
Chief Executive Officer